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INTELLIGENCE REPORT

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**COUNTRY** Austria

**SUBJECT** Degos Trading Company

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## SOURCE

General

1. Degos G.m.b.H., Wipplingerstrasse 1, Vienna I, was founded in September 1946 with a capital of 20,000 schillings supplied on a 50-50 basis by:

Dr. Stanislaus Dubik, a Polish Jew who had worked with the Soviets in Poland and as an interpreter in Vienna prior to setting up his own business.

Egon Schischka, an Austrian businessman and member of the Communist Party of Austria.

Degos is authorized to trade in all industrial commodities but has specialized in textiles.

Financial Status

2. Since its establishment in September 1946, Degos has expanded its capital to 600,000 schillings from its profits.
3. Dubik and Schischka now have 500,000 schillings cash on hand for business transactions and an inventory of textile goods valued at two million schillings. As Degos plans to sell these goods at the export rate, the owners expect to receive from six to eight million schillings on the sale. (The export rate allows goods to be sold for 100% - 300% above the domestic price.)

Employees

4. Degos has about fifteen employees, who do only routine work. All business transactions and decisions are made by the owners themselves. It is reported that both are careful not to permit their employees to have any relations with the Soviets or the Communist Party, so that nothing will be known about their business other than what they officially report.

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Prior History

5. Dubik became well acquainted with Soviet officers in 1945 through his services as an interpreter and through occasional barter transactions. At this time, he realized that setting up a private firm for such transactions would be extremely profitable. He and Schischka decided to establish a warehouse, which the latter set up under Austrian law as Warenhaus Schischka, Favoritenstrasse, Vienna X. Through his connections with Soviet officials, Dubik procured the right for Warenhaus Schischka to sell its goods at export prices. Under this arrangement the enterprise made huge profits. In selling for export, moreover, the firm was subject to less stringent controls under Austrian law and could, in effect, sell its goods unrationed. By presenting gifts to Soviet officers, Dubik soon built up a good clientele.

Official Relations with USIVA

6. Because they had difficulty in obtaining textiles and other materials, Dubik and Schischka set up the Degos firm to handle the procurement for Warenhaus Schischka. Again through his connections, Dubik made an oral agreement, valid for one year, with the Light Industry Division of USIVA. He was able to prevail on USIVA to turn over to Degos the distribution of the quota of artificial silk yarn from the Glanzstoffabrik St. Poelten A.G., which was normally allocated to the Austrian economy. The Austrian Government was forced to accept this and to license Degos.
7. In October 1946, the Austrian Government and USIVA reached an agreement whereby 50% of the monthly production of Glanzstoffabrik St. Poelten was to be released to the Austrian economy. The government then issued ration coupons to the Austrian firms which needed the goods. It was required that the coupons be presented to Degos in order to receive delivery of the goods. Thus, Degos became the official distributor of artificial silk for USIVA and came to be recognized as a contractor for USIVA in the industrial field.
8. Since the creation of Degos, the Austrian economy has received from the Glanzstoffabrik St. Poelten irregular allotments of rayon yarn totalling a little over 200 tons. The average monthly production of the factory during the ten-month period was 100 tons. Had 50% of the production been delivered regularly, as agreed, the Austrian economy would have received through Degos 500 tons instead of 200-odd.
9. During this same period, 180 tons of rayon yarn was sent to the Soviet-controlled Hans Janisch Seidenweberei factory in Rittersfeld, Lower Austria. Finished textile goods produced by this factory from September 1946 to July 1947 amounted to about 1,000 tons. This was disposed of as follows:
- a. A small share was used to cover Soviet needs in Austria.
  - b. About 150 tons were exchanged with other firms in Austria for various other finished products.
  - c. A still larger amount was used for barter transactions with Czechoslovakia and Hungary.
  - d. About 500 tons of finished rayon products were shipped by Yuzhtrans down the Danube to the USSR.

Barter with USIVA

10. In addition to its official distribution functions, the firm engages in occasional barter transactions in which Degos receives finished products from Austrian textile mills in exchange for artificial silk and textile yarns. Degos then bartered those finished products with the USIVA Light Industry Division for more raw materials than Degos originally gave to the

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Austrian processing firm. These transactions have reached a value of approximately two million schillings since September 1946. The increased supply of raw materials is used for further barter or made up into finished goods for unrationed sale by Warenhaus Schischka. This type of transaction has been highly profitable for Degos.

#### Miscellaneous Transactions

11. Although generally restricting itself to the textile business, Degos trades in other goods when profitable offers are received. For example, over a period of five months, Degos sold at a profit 30,000 razor blades per month. The blades were obtained from USIVA.

#### Relationship with Soviet Military Bank

12. Degos attempted to open an account with the Soviet Military Bank in Starhomborggasse, Vienna IV, but was refused on the ground that only Soviet-controlled enterprises were accepted as depositors. However, Degos is required to make all its payments to USIVA through this bank.
13. To date, Degos has paid into the Soviet bank a total of 3,500,000 schillings for official transactions in artificial silk and 250,000 schillings for other transactions with USIVA. Degos has not participated in any cash transactions with USIVA since late March 1947 and hence has not paid in any schillings. The sum of 3,750,000 schillings thus represents the amount paid in from September 1946 to the end of March 1947.

#### Austrian Firms dealing with Degos

14. These include:

- a. Guntransdorfer Druckfabrik A. G., Färberei und Druckerei (textile printing), Vienna
- b. Pottendorfer Spinnerei und Felixdorfer Weberei A.G. (the Pottendorf mill)
- c. Vereinigte Seidenwarenfabriken Gebrüder Schiel A.G.
- d. Seidenindustrie Steiner & Kober
- e. Richard Hammerle (silk mill in Lustenau, Vorarlberg)

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Comment: For further information on Degos and Warenhaus Schischka, see [REDACTED]

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